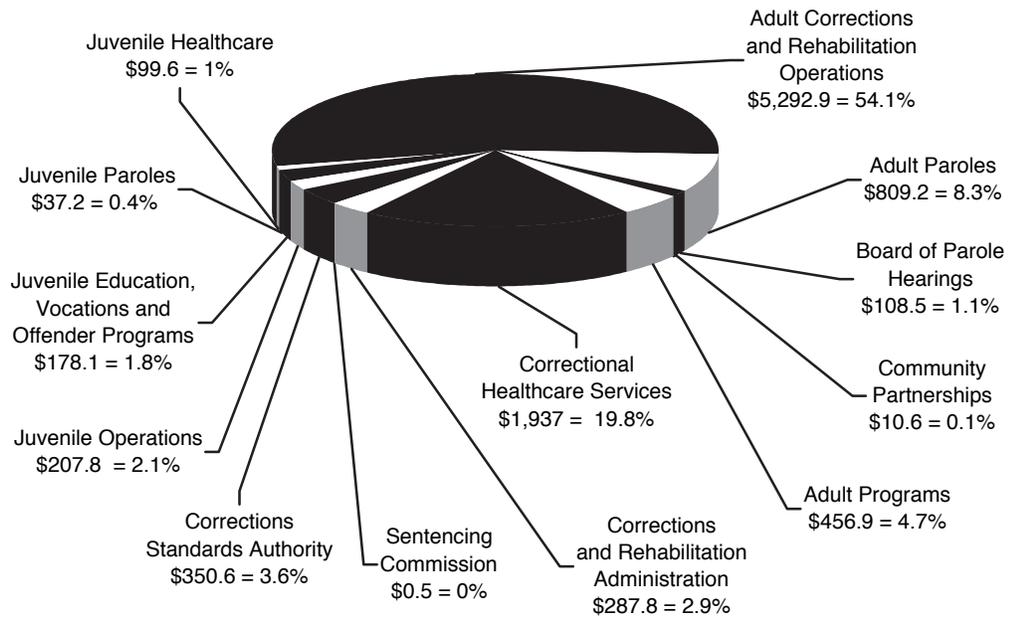


CORRECTIONS AND REHABILITATION

The mission of the Department of Corrections and Rehabilitation (CDCR) is to improve public safety through evidence-based crime prevention and recidivism reduction strategies. These strategies include providing safe and secure detention facilities for adults and juveniles, educational opportunities, services such as food, clothing, health care, direct supervision, surveillance, and when necessary, apprehension of the state's parolee population. The CDCR is organized into 12 programs: Corrections and Rehabilitation Administration; Corrections Standards Authority; Juvenile Operations; Juvenile Education, Vocations, and Offender Programs; Juvenile Parole Operations; Juvenile Health Care Services; Adult Operations; Adult Parole Operations; Board of Parole Hearings; Community Partnerships; Adult Education, Vocations, and Offender Programs; and Correctional Healthcare Services.

Excluding infrastructure adjustments, the Governor's Budget includes \$10 billion (\$9.7 billion General Fund and \$321.5 million other funds) for CDCR. This reflects an increase of \$249.5 million (\$444.6 million General Fund) or 2.6 percent over the revised 2006-07 budget. The funding by program proposed for the Department is shown in Figure DCR-01. Notable funding changes are further described below.

Figure DCR-01
Proposed CDCR Expenditures for 2007-08
All Funds by Program
(Dollars in Millions)



MAJOR ACCOMPLISHMENTS IN 2006-07

When the departments under the former Youth and Adult Correctional Agency were consolidated into the CDCR in 2005, the Administration committed to improve public safety through the implementation of evidence-based programs that reduce recidivism and prepare inmates to transition back to the community. Toward that end, the Budget for 2006-07 included \$52.8 million for inmate education programs, community partnerships, parolee services, institution rehabilitative and treatment programs, and research and support services. This investment grows to \$93.9 million in 2007-08. This ongoing funding represents a comprehensive approach to inmate and parolee programming by providing program enhancements and community services to male and female inmates and parolees.

Other initiatives implemented on an ongoing basis in 2006-07 include the following:

- Global Positioning System (GPS) Expansion-As part of a four-year plan to have 2,500 GPS units available for parolee monitoring by 2009-10, the 2006-07 Budget includes

\$5.1 million to add 500 GPS devices to track and monitor parolees who pose the highest risk to public safety.

- Cadet Needs-To safely operate its institutions, the Department must hire and train more cadets. The 2006-07 Budget provides \$54.5 million to expand the training academies to meet the pressing need for adult Correctional Officers, Youth Correctional Officers/Counselors, and parole agents.
- Separate Health Care Item-The 2006-07 Budget includes a \$100 million appropriation along with language that allows these funds to be transferred to the CDCR's health care budget to fund the activities of the Receiver appointed by the court in Plata v. Schwarzenegger on an expedited basis.
- Contract Medical and Medical Guarding-The 2006-07 Budget reflects an increase of \$250.5 million to adjust the base funding available to pay the increased costs of medical contracts, pharmaceuticals, and medical guarding.
- Protective Vests-The 2006-07 Budget provides \$4.1 million to expand the distribution and replacement of protective vests to peace officer staff as well as non-peace officer staff who must perform their duties in high-risk conditions, consistent with the Department's comprehensive protective vest procedures.

PROPOSED CDCR SPENDING FOR 2007-08

Change Table DCR-01 illustrates the major changes proposed to CDCR spending in the Governor's Budget.

The major workload adjustments required by law for 2007-08 include the following:

- Sex Offender Management Plan-The Budget includes \$30.4 million in 2006-07 and \$77.3 million in 2007-08 and ongoing to implement Proposition 83 (known as Jessica's Law) as well as other recently-enacted measures related to managing sex offenders. These augmentations include funding for active GPS monitoring and 20:1 parole agent supervision ratios for 3,300 high risk sex offender parolees, and passive GPS monitoring with 40:1 parole agent supervision ratios for 5,700 other sex offender parolees, pursuant to Proposition 83.
- Court Orders and Lawsuits-The Budget includes \$130 million in 2006-07 and \$278.9 million in 2007-08 to comply with court orders and lawsuits, including activities of the health care Receiver in the case of Plata v. Schwarzenegger.

Change Table DCR-01

Corrections and Rehabilitation Agency - Changes by Broad Categories

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2006 Budget Act	\$8,751,139	\$523,414	62,714.7	\$8,569,955	\$333,024	62,714.7
Workload Adjustments						
Facility Maintenance and Repair	--	--	--	46,000	--	--
Sex Offender Management Plan	30,400	--	86.3	77,286	--	294.8
Statewide Equipment Replacement	--	--	--	23,025	--	--
Enrollment/Caseload/Population	-2,670	-745	-170.1	62,061	-106	257.6
Employee Compensation/Retirement	345,658	2,833	--	360,073	2,512	--
Court Orders/Lawsuits	129,972	--	493.5	278,873	--	882.9
Expiring Programs or Positions	--	--	--	-4,839	--	-79.6
One-Time Cost Reductions	--	--	--	-66,789	--	--
Full-Year Cost of New Programs	--	--	480.6	200,514	1	1,705.4
Other Workload Adjustments	-42,506	-8,948	2.1	68,216	-13,970	54.1
Totals, Workload Adjustments	\$460,854	-\$6,860	892.4	\$1,044,420	-\$11,563	3,115.2
Policy Adjustments						
Adult Probation Funding	--	--	--	50,000	--	--
Consolidated IT Infrastructure Project	--	--	--	32,421	--	16.7
Out of State Beds	10,344	--	59.9	13,158	--	96.2
Population and Caseload Savings	--	--	--	-56,700	--	--
Sentencing Commission	--	--	--	457	--	3.8
Sex Offender Management Plan	--	--	--	45,578	--	5.6
Shift of DJJ Population	--	--	--	-32,885	--	--
Teacher Pay and Schedule Parity	--	--	--	4,868	--	--
Other Policy Adjustments	--	--	--	-4,334	--	21.1
Totals, Policy Adjustments	\$10,344	\$0	59.9	\$52,563	\$0	143.4
Infrastructure Adjustments	\$13,369	\$56,589	--	\$376,369	\$9,677,764	--
Total Adjustments	\$484,567	\$49,729	952.3	\$1,473,352	\$9,666,201	3,258.6
Governor's Budget	\$9,235,706	\$573,143	63,667.0	\$10,043,307	\$9,999,225	65,973.3

* Dollars in Thousands

- Population Adjustments-The Budget includes a reduction of \$3.4 million (\$2.6 million General Fund) in 2006-07 and a net increase of \$65.8 million (\$65.9 million General Fund) in 2007-08 to address changes in adult and juvenile population and parolee caseloads.
- Facility Maintenance and Repair-The Budget includes \$46 million in 2007-08 for facility maintenance and repair, including maintenance of transformers, generators, and high-voltage switchgear; an ongoing preventative maintenance program for roofing; repair and replacement of roads and parking lots; and other critical deferred maintenance.
- Statewide Equipment Replacement-The Budget includes \$23 million in 2007-08 to replace equipment, including buses, telephone systems, and radio systems.
- Employee Compensation and Retirement-The Budget includes \$345.7 million in 2006-07 and \$360 million in 2006-07 for employee compensation costs and adjustments to the retirement contribution rate.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2007-08 Governor's Budget proposes significant changes related to sentencing reform, state prison and local jail capacity issues, the management and supervision of convicted sex offenders, and realignment of the Division of Juvenile Justice. The Governor's Budget also provides funds for critical departmental information technology projects, equipment replacement and facility maintenance and repair.

CALIFORNIA SENTENCING COMMISSION

The Governor proposes to create the California Sentencing Commission to review and make recommendations on sentencing guidelines. The Commission, which will be permanent, will include the Attorney General, the Secretary of the Department of Corrections and Rehabilitation, and 15 members appointed by the Governor representing various stakeholders including the Legislature, law enforcement, victims, labor, and other groups. The Commission will act as a clearinghouse and information center for sentencing, review proposed legislation affecting sentencing, and submit recommendations on sentencing guidelines

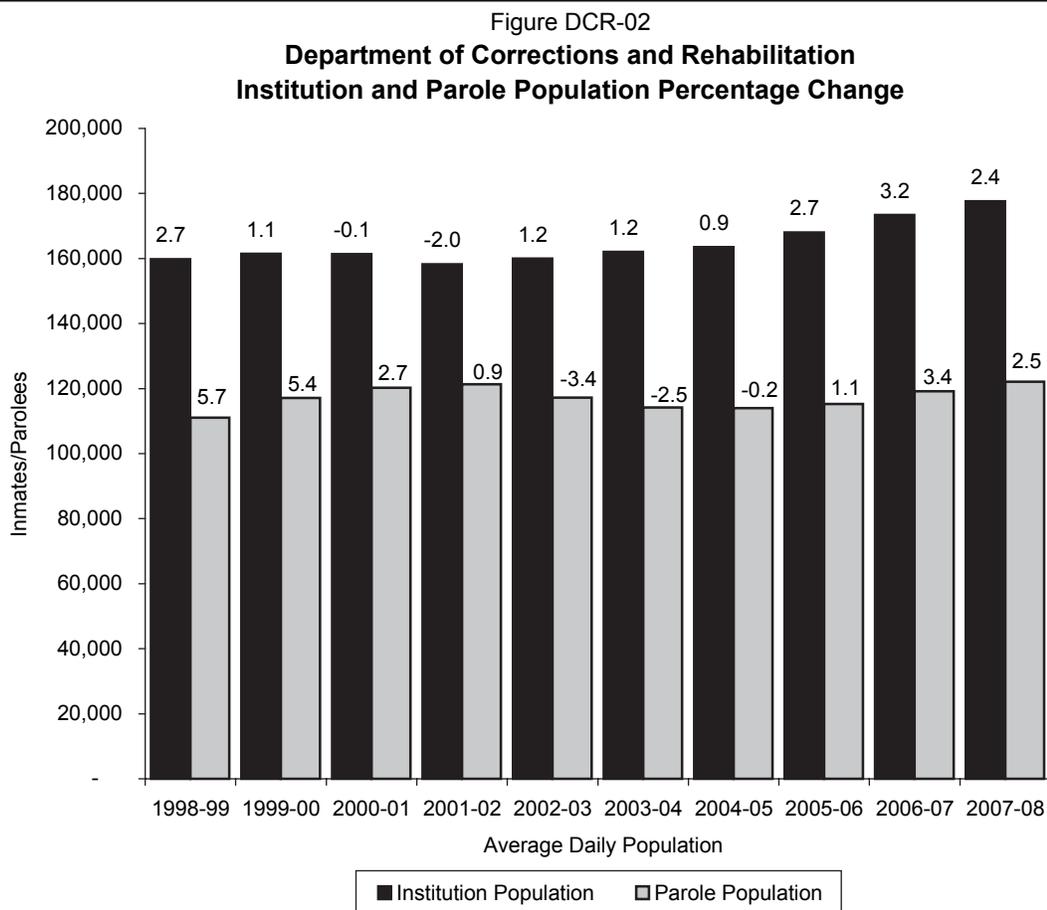
to the Legislature each year. In the first year, the Commission will focus on California’s parole system. The Budget includes \$457,000 General Fund for the Commission.

RESTRUCTURING THE STATE’S APPROACH TO INCARCERATION AND PAROLE SUPERVISION

The Administration is proposing a comprehensive approach to the statewide prison and jail capacity crisis. As a result of increased pressure from the courts to reduce population and elements of the Strategic Growth Plan, the Budget proposes several changes to the manner in which low-level offenders are incarcerated and monitored upon release.

ADULT INMATE AND PAROLEE POPULATION

Under existing law, the average daily inmate population is projected to increase from 173,401 in 2006-07 to 177,577 in 2007-08, an increase of 4,176 inmates, or 2.4 percent. This change is due primarily to increases in new admissions from court, and increases in the number of parole violators returned to prison because they committed a new crime and received a new prison term, or because they committed a specific parole violation. The 2006-07 Budget assumed an average daily inmate population of 175,627. (See Figure DCR-02)



Similarly, under existing law, the average daily parole population is projected to increase from 119,148 in 2006-07 to 122,148 in 2007-08, an increase of 3,000 parolees, or 2.5 percent. The projected increase is due to fewer discharges from parole and more releases to parole from prison than expected. This increase is partially offset by more parole violators returned to prison with new terms. The 2006-07 Budget assumed an average daily parole population of 117,754.

The fiscal impact of these population changes in 2006-07 is an increase of \$9.7 million General Fund and a reduction of \$257,000 in other funds. In 2007-08, the fiscal impact is an increase of \$58.8 million General Fund, and an increase of \$533,000 other funds.

PARTNERING WITH LOCAL LAW ENFORCEMENT

Beginning July 1, 2008, specified non-serious, non-violent felons with terms of three years or less will serve their sentences in county jails. This will not reduce the length of their sentences. This change is a pivotal component of the State's historic partnership with local law enforcement. The Strategic Growth Plan will provide \$4.4 billion to local governments for the construction of jail facilities. Combined with a \$1.1 billion match, this will provide a significant investment in California's criminal justice system. Once these momentous changes are implemented, annual state prison costs will decrease by an estimated \$250 million in 2008-09 and \$500 million in 2009-10 and ongoing. The Administration recognizes that there will also be increased operating costs at the local level and is committed to working with Legislators and local officials to address these costs as part of a comprehensive reform package.

The Budget includes estimated savings resulting from modifications to the parole structure, which will allow law enforcement to focus on those who pose the greatest risk of committing another crime. This includes automatic discharge from parole for individuals with 12 months of "clean time", and no parole for low-level offenders upon completion of their prison sentences. The Budget also assumes the elimination of 90-day diagnostic evaluations. In total, these changes are estimated to result in savings of \$56.7 million in 2007-08 and \$75.5 million in 2008-09 and ongoing.

The Budget includes \$50 million in 2007-08 and \$100 million in 2008-09 and ongoing for local adult probation funding. These funds will be used to target the at-risk 18-to 25-year-old probation population, which accounts for the largest percentage of new felon admissions to the state prison system. The program will be modeled after the successful Juvenile Justice Crime Prevention Act program, which has had a positive impact on the juvenile

offender population. Through shared responsibility for the offender population statewide, local governments and the state will each have a greater stake in positive outcomes.

COMPREHENSIVE SEX OFFENDER MANAGEMENT PLAN

The Administration is committed to ensuring that the public is protected from sex offenders. Consistent with the overwhelming mandate from voters in enacting Proposition 83, the Administration proposes a Sex Offender Management Plan to address this population of inmates and parolees in order to ensure the safety of all Californians, especially children.

Proposition 83 changed the punishment and monitoring of convicted sex offenders. It increased penalties by broadening the definition of certain sex offenses, providing for longer penalties related to specified sex offenses, prohibiting the use of probation in lieu of prison for some sex offenses, eliminating early release credits for some inmates convicted of certain sex offenses, and extending parole for certain types of sex offenders.

Proposition 83 requires lifetime monitoring of specified sex offenders using GPS devices, and places geographical restrictions on where convicted sex offenders may reside. Proposition 83 also changed the laws governing Sexually Violent Predators (SVPs) by making more sex offenders eligible for commitment to state mental hospitals as SVPs and altering the standards for release of SVPs from state mental hospitals.

Prior to the passage of Proposition 83, the Governor convened the High Risk Sex Offender (HRSO) Task Force, which made a number of recommendations relating to the handling of HRSO inmates and parolees. Some of these recommendations were enacted in 2006 legislative measures. The Comprehensive Sex Offender Management Plan is comprised of HRSO Task Force recommendations, related legislation, and implementation of Proposition 83. The Budget includes a total of \$30.4 million General Fund in 2006-07 and \$122.8 million General Fund in 2007-08 and ongoing for CDCR to implement the Comprehensive Sex Offender Management Plan, specifically:

- \$25.1 million in 2006-07 and \$68.1 million in 2007-08 for the Division of Adult Parole Operations to provide GPS monitoring and supervision for 9,000 sex offender parolees pursuant to Proposition 83. These augmentations provide active GPS monitoring and 20:1 parole agent supervision ratios for 3,300 HRSO parolees and passive GPS monitoring and 40:1 parole agent supervision ratios for 5,700 other sex offenders. Active GPS allows offenders to be tracked “near real time” on a computer that is configured to reflect the offenders’ location on a map. If the offender violates pre-configured boundaries, an alert is registered and relayed to the parole agent. With active GPS

monitoring, detection and alert notification are immediate and the officer can attempt to contact the offender or alert law enforcement within minutes. Passive GPS tracks an offender's daily activities, allows for a "download" of this information, and the monitoring service generates a report for the parole agent the following day.

- \$5.3 million in 2006-07 and \$7.5 million in 2007-08 for the Division of Adult Institutions, the Division of Adult Parole Operations, and the Board of Parole Hearings to address increased screening and hearing caseloads resulting from the changes to SVP laws contained in Proposition 83.
- \$42.7 million in 2007-08 for the Department to contract for the treatment of HRSO parolees, per the recommendations of the HRSO Task Force.
- \$1.7 million in 2007-08 to provide contracted biannual polygraph testing for HRSO parolees.
- \$1.6 million in 2007-08 to provide training for parole agents on the Sex Offender Containment Model, polygraph testing, and the State Approved Risk Assessment Tool for Sex Offenders (SARATSO), pursuant to recommendations of the HRSO Task Force and the provisions of Chapter 337, Statutes of 2006 (SB 1128).
- \$600,000 in 2007-08 for the Department to assign four parole agents to SAFE Teams based in each parole region, and to provide staffing support for community outreach and communication efforts related to the placement and monitoring of sex offenders.
- \$600,000 in 2007-08 for the Sex Offender Management Board, pursuant to an HRSO Task Force recommendation that was enacted by Chapter 338, Statutes of 2006 (AB 1015).

Additional funding for the implementation of Proposition 83 is included in the Department of Mental Health budget.

DIVISION OF JUVENILE JUSTICE

WORKLOAD ADJUSTMENT FOR PROJECTED JUVENILE OFFENDER AND PAROLEE POPULATION

The Division of Juvenile Justice (DJJ) projects a juvenile institution population of 2,630 youthful offenders by June 30, 2007, 30 less than anticipated in the 2006 Budget Act. The 2007-08 year-end institution population is expected to decrease by 40 wards, resulting in a June 30, 2008 population of 2,490. Primarily due to delays in the implementation of smaller living units and associated staffing ratios called for in the Safety and Welfare and

CORRECTIONS AND REHABILITATION

Mental Health Remedial Plans, the Governor's Budget proposes a decrease of \$9.3 million General Fund and \$488,000 other funds in 2006-07. There is an increase of \$8.2 million General Fund in 2007-08 due to the ongoing implementation of these additional units and staffing ratios. However, the overall costs in 2007-08 are lower than the level of funding originally approved in both of the remedial plans due to slower activation than initially anticipated. The total General Fund expenditures are partially offset by General Fund revenues from the sliding scale fees paid by counties. In 2006-07, these revenues are estimated to be \$16.7 million, a decrease of \$829,000 from the revenue expected at the time of the 2006 Budget Act. In 2007-08, these revenues are estimated to be \$15.8 million.

The juvenile parole population is expected to be 2,775 by June 30, 2007, a decrease of 160 from the 2006 Budget Act. By June 30, 2008, the juvenile parole population is expected to decrease by 240 from the level projected in the 2006 Budget Act to a total of 2,405. To address this change, the Governor's Budget proposes decreases of \$1.2 million General Fund in 2006-07 and \$2.4 million General Fund in 2007-08.

The population adjustment proposed in the Governor's Budget for the Juvenile Education Program reflects staffing ratios consistent with the requirements of the Education Remedial Plan. General Fund Proposition 98 funding is projected to decrease by \$1.9 million in 2006-07 and \$2.6 million in 2007-08.

SHIFTING THE JUVENILE JUSTICE POPULATION

Prior to the 2005 Youth and Adult Correctional Agency consolidation, the DJJ was known as the California Youth Authority (CYA). The CYA was created in 1941 and began operating "reform schools" in 1943, when the Governor transferred management of three state reformatories to CYA oversight. At that time, the population consisted of 1,080 wards in institutions and 1,625 wards on parole. By June of 1996, the population of CYA had grown to an institution high of 10,114 and a parole high of 6,249. As the result of legislation enacted to increase the cost for counties to house wards in state institutions and efforts to enhance services at the local level, the DJJ's population has steadily declined since 1996.

Local juvenile justice services have improved through efforts like the Juvenile Justice Crime Prevention Act (JJCPA) program. The JJCPA is a partnership between the state, 56 counties, and more than 200 community-based organizations. Under the JJCPA, local officials and stakeholders determine where to direct resources through an interagency planning process; the state appropriates funds to counties on a per-capita basis; and community-based organizations deliver the services. It is a partnership that recognizes the value of local

discretion in addressing juvenile crime. Outcome data collected by counties indicates that JJPCA programs have been successful in curbing juvenile crime and delinquency in California.

As a result of programs like the JJPCA, and the higher cost of state versus local housing for juvenile offenders, counties have consistently sent fewer offenders to the DJJ; a trend that is likely to continue. As of June 30, 2006, DJJ's institution population had decreased to 2,887 (71 percent lower than June 1996) and its parole population had decreased to 3,162 (49 percent lower than June 1996). Less than one percent of juveniles arrested in California end up in DJJ facilities. The rest are retained at the local level.

Despite this significant drop in the institution population, the state was unable to provide adequate program services for the remaining offender population. As a result of a taxpayer lawsuit (*Farrell v. Tilton*), the state agreed to review the entire system and reform the programs provided to juvenile offenders. Beginning in 2005-06, the DJJ began implementing reforms, as stipulated by the Farrell consent decree, in areas of Mental Health, Sex Behavior, Disability, Education, Medical Care, and Safety and Welfare. The Farrell reforms are intended to enhance the state's juvenile justice services and focus on the rehabilitation of the juvenile offender population. Consistent with enhancing the services it provides, the DJJ has reevaluated its mission in an effort to determine where juvenile offenders would be best served during their rehabilitation.

Beginning July 1, 2007, the DJJ will begin the process of shifting the population of juvenile offenders housed in state facilities to local facilities, and will provide resources to support their program and housing needs. The DJJ will reduce its population so that only the most serious and violent juvenile offenders are housed in DJJ facilities. Offenders convicted of lesser crimes will remain at the county level where they can benefit from programs provided by their local communities and be closer to potential support networks.

The DJJ will accomplish this shift by narrowing the scope of intake and phasing out a portion of its current population. Specifically, the DJJ will stop intake of female juvenile offenders and no longer house female offenders in DJJ facilities. The DJJ will stop intake for parole violators with an original non-violent offense and non-violent juveniles who are adjudicated by the court and who are currently committed to DJJ until age 21. The DJJ will further reduce its current population by returning non-violent juveniles who are the responsibility of the DJJ until the age of 21 to the jurisdiction of counties.

These changes are projected to result in DJJ's population being reduced by 1,338 juvenile offenders by June 30, 2008, as compared to the projections discussed above. To provide adequate programs and services to wards that are sent back to counties, or who otherwise

CORRECTIONS AND REHABILITATION

would have been committed to the DJJ but will now be held at the county level, the state will provide counties with funding through a block grant to support local programs for these offenders. The block grant methodology will be evaluated in the future to determine if it results in an equitable distribution of funds. Also, the CDCR will audit the expenditure of the block grant funds to ensure that the resources are spent on the juvenile offender population. In 2007-08, an estimated \$53 million will be allocated to counties. Because the state's cost to provide housing and programming is greater than the funding to be provided to counties, this approach will result in a savings of \$32.9 million General Fund in 2007-08. There will be an additional reduction of \$10 million General Fund in 2007-08 resulting from the elimination of funding for the Juvenile Justice Community Reentry Challenge Grant.

CRITICAL INFORMATION TECHNOLOGY PROJECTS

The Administration is committed to enhancing the Department's ability to operate efficiently, especially where automation and information technology is involved. The Budget includes funding for two critical information technology projects. One will provide the "backbone" for planned and future information technology systems and the other will enable the Department to centrally track and update inmate information.

CONSOLIDATED INFORMATION TECHNOLOGY INFRASTRUCTURE PROJECT

The Budget includes a net increase of \$32.5 million in 2007-08 for the Consolidated Information Technology Infrastructure Project. This project will consolidate the Department's information technology infrastructure and provide the basic network infrastructure for information technology projects currently underway and others being proposed for legislative approval in the Budget. The estimated 2007-08 cost for this project is \$118.5 million, but the Budget assumes GS \$mart financing for the project's tangible assets. GS \$mart, operated by the Department of General Services, is the state's vehicle for lease-purchase financing and offers tax-exempt rates which are usually less costly than commercial lending rates. Financing the tangible assets over time will result in up to \$86 million in savings in the first year of the project. The Budget includes a savings set-aside that can be activated once vendor contracts are in place and actual financed payment amounts determined.

STRATEGIC OFFENDER MANAGEMENT SYSTEM

The Budget includes \$3.6 million in 2007-08 for the Strategic Offender Management System (SOMS), an integrated offender database that will allow the Department to centrally maintain information related to an offender's institutional and parole time, including housing, classification, sentencing information, custody status, program outcomes, gang affiliation, education, vocational training, scheduling, and revocation. Currently, the Department utilizes

manual processes to track many of these variables, using an inordinate amount of staff time and creating a high probability of errors. SOMS will automate and centrally compile this information so staff time is better utilized and inmate data is available in an accurate and timely manner.

POPULATION POLICY ADJUSTMENTS

OUT-OF-STATE BEDS

On October 4, 2006, the Governor issued an emergency proclamation concerning the prison overcrowding crisis. He authorized the CDCR to move forward with a plan to transfer up to 5,000 inmates to prison facilities outside of California. The Budget includes \$10.3 million in 2006-07 and \$13.2 million in 2007-08 to transfer 2,260 inmates to facilities in Arizona, Tennessee, Indiana, Oklahoma, and Mississippi.

These transfers are necessary due to the significant safety risks to prison staff and inmates as a result of the current overcrowding. The Strategic Growth Plan contains funding for infill capacity that, once completed, will ease prison overcrowding. This additional capacity, combined with acceptance of specified offenders by county jails beginning in 2008-09, will provide needed expansion capability for CDCR. Until these measures are implemented, transferring inmates out of state is necessary to reduce the serious risks associated with the crisis.

FEMALE OFFENDERS

The Budget includes \$1.7 million General Fund in 2007-08 for the Department to perform pre-activation functions necessary to implement a program for Female Rehabilitative Community Correctional Centers. Once completed, these facilities will provide beds for 4,350 female offenders, and enhance treatment, vocational and educational services that target substance abuse and employability, and will strengthen family ties as offenders prepare to re-enter their communities. In partnership with community providers, this will enable non-serious, non-violent female offenders to participate in rehabilitation programs in the communities to which they will return when released on parole. Community placement provides increased opportunities to reconnect with their children as the offenders transition into parole status.

The Budget provides \$2.1 million to activate the Fresno Family Foundation program, a 35-bed community-based program for female offenders. This program will serve women who are non-violent, non-serious offenders with histories of substance abuse and who are pregnant or parenting a child under the age of six. Under this program, the mother spends 12 months

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in the highly structured residential treatment program followed by 12 months in an aftercare/ transition period designed to help her successfully re-enter society. The Department operates similar facilities in Santa Fe Springs and San Diego.

COURT AND LAWSUIT-RELATED ISSUES

The 2006-07 Budget includes an appropriation of \$100 million along with language that allows these funds to be transferred to the CDCR Healthcare Budget item to fund the activities of the Receiver appointed by the court in *Plata v. Schwarzenegger*. Of this amount, approximately \$50 million has been transferred to date, resulting in ongoing costs of approximately \$55 million, which are included in the Governor's Budget. In addition to funding these costs, the Governor's Budget proposes to continue the transfer language and provide \$150 million for new costs driven by the Receiver. This will allow the state to quickly respond to the fiscal needs of the Receiver. The Administration continues to work cooperatively with the Receiver to address correctional healthcare in the most efficient and comprehensive manner possible.

The Governor's Budget includes \$109.1 million to continue state efforts to comply with the requirements of the *Coleman v. Schwarzenegger* lawsuit. Included in these funds are \$13.2 million to retrofit intake cells within Administrative Segregation units and \$50.6 million for salary increases for mental health professionals.

The Governor's Budget includes \$78.7 million to continue the state's efforts to comply with the stipulated agreement in *Perez v. Schwarzenegger*. This includes \$20.9 million to lower the ratio of dentists to inmate-patients to 1:515 (1:1,590 for Reception Centers) and \$57.8 million for potential salary increases for dental services providers.

OTHER WORKLOAD ISSUES

The Administration continues to take steps to address various operational needs of the Department. In an effort to build upon last year's successes, the Budget includes additional resources for facility maintenance and repair, substance abuse treatment, staff training, and other critical areas. Through an expert panel established this year to review programming efforts in adult institutions, the Department will also seek to implement cost-effective enhancements to inmate programming.

FACILITY MAINTENANCE AND EQUIPMENT REPLACEMENT

There is a pressing need for additional resources to address critical facility repairs. This need is exacerbated because the population is at an all-time high, and the loss of capacity resulting from failures to maintain the facilities only increases overcrowding in other areas. The Governor's Budget proposes \$46 million General Fund to augment CDCR's \$190.1 million baseline budget for maintenance and special repairs. This funding provides for the establishment of regional heating ventilation and air conditioning maintenance teams, the maintenance of transformers, generators and high-voltage switchgear, strike teams to undertake ongoing preventative maintenance for facility roofs, electric fence system repairs and replacement, repair and replacement of roads and parking lots, and other critical facility maintenance issues. These repairs will help ensure the safety and security of the staff, public, and inmates, and prevent the loss of critical housing options.

In addition to facility maintenance and repairs, the Budget includes \$23 million for statewide major equipment purchases, including telephone system repairs and upgrades, replacement of trunked radio systems infrastructure, and replacement of buses. This augmentation will increase the Department's base budget for major equipment to \$76.7 million.

RESIDENTIAL AFTERCARE AND DRUG TREATMENT FURLOUGH

To comply with the provisions of Chapter 875, Statutes of 2006 (SB 1453), the Budget includes an augmentation of \$1.3 million in 2007-08 for mandatory residential aftercare programs. Chapter 875 requires non-serious, non-violent inmates who have completed an in-prison drug treatment program to enter a 150-day aftercare drug treatment program and to be discharged from parole upon successful completion of the program. Because the Department's base budget contained funds for voluntary aftercare services for serious and violent and non-serious, non-violent inmates that were not being fully utilized, implementation of Chapter 875 can be achieved largely through the redirection of existing funds. The Budget provides funding for 5,500 residential aftercare beds for non-serious, non-violent offenders.

The Budget includes \$10.9 million General Fund in 2007-08 to support 426 Drug Treatment Furlough beds that had previously been funded with voluntary aftercare dollars. Because the aftercare dollars will no longer be available, the Budget fully funds the currently-occupied Drug Treatment Furlough beds. These funds are reflected in the 2007-08 costs for adult population changes.

CORRECTIONS AND REHABILITATION

REDUCING RECIDIVISM

The Budget builds on the 2006-07 investment of \$52.8 million for recidivism reduction and community reintegration activities by providing a total of \$93.9 million to continue the implementation of various program enhancements. These programs include educational needs assessments and substance abuse program expansions in institutions, structured re-entry services such as mandatory conditions of parole, and community reintegration programs including residential services for parolees, day reporting centers, and increased clinical services for mentally ill parolees.

EXPERT PANEL ON ADULT PRISON PROGRAMMING AND TREATMENT

As the result of funding provided in the 2005-06 Budget, the Department established an expert panel on prison programming and treatment. This panel, comprised of nationwide practitioners, consultants, and researchers, is charged with evaluating the Department's approach to providing inmate programming and treatment. The panel will make recommendations on programs that show promise and should be expanded, as well as on programs that are ineffective and should be discontinued. Through these efforts, the Department hopes to propose a balanced, cost-effective, and evidence-based approach to increasing programming levels within adult institutions.

INCARCERATION OF UNDOCUMENTED FELONS

The CDCR expects to spend approximately \$850 million in 2006-07 for the incarceration of undocumented persons. During 2005-06, the Administration worked closely with the federal government to increase the reimbursements that the state receives for incarcerating undocumented felons. As a result, the state will receive \$114.1 million in federal State Criminal Alien Assistance Program (SCAAP) funding for 2006-07. Undocumented persons are expected to comprise 10.5 percent of inmates in the state prison system. The CDCR's costs in 2007-08 are estimated to increase to \$897.3 million, an increase of 5.6 percent. For 2007-08, it is estimated that California will receive approximately \$114.1 million in federal SCAAP funding. At this level of funding, the state will be reimbursed for only 12.7 percent of the costs associated with the incarceration and related debt service associated with the undocumented felon population, with \$783.2 million in costs in excess of the level of federal reimbursements.

During the current fiscal year, the Administration will continue to aggressively pursue all strategies designed to maximize federal funding for the incarceration of undocumented felons.